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TAGS: [AORC](#) [PREL](#) [KNNP](#) [IAEA](#) [UN](#)  
SUBJECT: DEEPENING IMPASSE IN IAEA BUDGET TALKS

REF: A. UNVIE 182  
[1](#)B. UNVIE 201

Classified By: Charge d'Affaires Geoff Pyatt for reasons 1.4 b/d

[1](#)1. (SBU) Summary: IAEA Member States met on May 13 to "get down to business" on the budget. European hardliners have not relinquished their calls for a "revised" budget proposal based on zero growth. Nor has the G-77 progressed beyond general support for increases in technical cooperation and "principled" opposition to regularizing nuclear security. In a surprise intervention, South Korea supported a ten percent increase in 2010 as a starting point for negotiations (the only country to support an increase with a figure attached). Lacking formal instructions, the U.S. signaled only support for a "significant" budget increase and named a set of general priorities in the areas of safety, safeguards and security. Most positively, there was general support among Member States on the need to upgrade the Safeguards Analytical Laboratory. The presiding Board Vice Chairman pointed to the lack of general progress and the looming meeting of the Board of Governors June 15-19 (where the budget is traditionally approved) to inspire a sense of urgency. He will proceed by holding small group meetings with "interested" members of the Geneva Group (of major donors) and the G-77. The first Geneva Group meeting, including the U.S., is scheduled for May 14. End Summary.

[1](#)2. (SBU) IAEA Board Vice Chair Cornel Feruta (Romania) opened budget talks on May 13 with most of the Board Ambassadors and many others by announcing that "informal consultations are over - it is time to get down to business." Deputy Director General (DDG) David Waller then reiterated the Secretariat's latest proposal to stretch the budget proposal over four years (reftel). Member States responded predictably, with the UK, Canada, Germany, and France (the European "hardliners") repeating past requests for a revised budget based on zero growth. Japan also asked for a more "realistic" proposal. South Korea surprised everyone by supporting a ten percent increase for 2010-11. (Mission was previously unaware of Korea's position -- the only one at the meeting that came anywhere close to U.S. support for a significant increase.) G-77 countries, led by Argentina, Egypt and Brazil, expressed disappointment that the Secretariat had not revised its budget proposal with a greater emphasis on technical cooperation, nuclear applications and energy. Lacking formal instructions, the U.S. signaled general support for a "significant" budget increase to include a number of key priorities in safety, security and safeguards, but noting also the need to discuss management of the Agency's "growing" technical cooperation program; the general nature of the statement was met with calls for much more specificity from a number of participants

following the meeting.

¶3. (SBU) DDG Waller and Board Vice Chair Feruta played active roles in the discussion, particularly in their attempts to turn off calls for a revised budget. Waller reminded participants that the Secretariat's proposal maintained the current proportions of resources allocated across the six major programs, except for a slight shift from Verification and Management in favor of regularizing the Nuclear Security program. G-77 representatives claimed they had been dissatisfied with the proportions between major programs at the time the 2009 budget was approved and that the historic lack of emphasis on technical cooperation should be rectified. They rejected the Secretariat's effort to "regularize" the Nuclear Security program.

¶4. (SBU) The meeting was lean on substance, and the majority of the time was spent rehashing country positions from the April 27-28 Program and Budget Committee (PBC). One positive sign, however, was support by Canada and Germany for nuclear security as a priority and clear statutory activity of the Agency. Germany went on to signal support for safeguards. Most positively, there was general agreement across blocs on the need to refurbish the Safeguards Analytical Laboratory (SAL), with the Swiss delegate making the boldest statement of the lab's physical needs and South Africa also speaking strongly for resources to SAL.

¶5. (C) Romanian Second Secretary Dan Necalescu privately expressed frustration that country positions had not become more refined since the April PBC. To break the deadlock, Romanian Vice Chair Feruta - in consultation with DDG Waller - has determined to proceed with small group discussions among blocs. To this end, Necalescu scheduled a meeting for May 14 with Geneva Group co-chairs (the U.S. and UK) and their "interested" Geneva Group colleagues (invitees will be France, Germany, Canada, Japan, South Korea and Italy). Canadian representative Anthony Hinton noted wryly that the U.S. was right to draw G-8 chair Italy into the budget discussions. Hinton, who vocally supports a ZRG position, commented, "if you guys (the U.S.) are going to pull this budget thing over on us, it will have to be through the G-8." Hinton was also privy to private comments by the Italian Deputy PermRep that "the U.S. is looking for a ten percent increase."

¶6. (C) In another side conversation, Finnish First Secretary Jani Raappana warned that Egypt's flexibility on the budget could well be influenced by Member States' treatment of the Safeguards Implementation Report (SIR). Raappana warned that if the SIR discussion turned volatile during the June Board and extended into the September General Conference, an isolated Egypt could make trouble for the budget discussions. Raappana also noted that the Czech position on the budget had changed in favor of an increase, ensuring at the very least that the European hardliners would fail to consolidate the EU around a zero growth position. Anticipating that the budget debate will drag into their EU presidency, the Swedish DCM described to us his intention to play an honest broker role - contrasting the traditional Nordic support for non-proliferation with the hard line French and German budget views.

¶7. (C) For her part, UK First Secretary Creena Lavery pleaded with the U.S. to be more conservative on the budget and sensitive to the positions of the other Member States. She argued that the lack of a Geneva Group consensus would fuel the G-77 to be more aggressive during negotiations, and that the major donors would be left with increases "in all the places we don't want." She also complained that the Secretariat had done nothing to respond to Member States' calls for a budget revision, and that DDG Waller appeared to have "cloth in his ears."

Comment  
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¶8. (SBU) The U.S. has managed to keep the budget debate

wedged open by signaling general support for a "significant" increase, though patience has worn thin. Today's events revealed eroding support among other major donors for a flexible approach to budget negotiations. End Comment.

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